

# OSF

Date : 07-03-2024

## STD 12 Commerce Elements of Account Account Practice Sheet Day 15 (Part 1 - Ch.1 to 4)

Total Marks : 50

### Section A

\* Choose The Right Answer From The Given Options. [10]

1. For the partner of a partnership concern, his liability is .....

- (A) Unlimited (B) Limited  
(C) Limited to the capital (D) None of the given

Ans. : (A) Unlimited

2. Under which method, the interest on capital keeps on changing during the year due to the changes in the capital?

- (A) Fluctuating capital account method (B) Fixed capital account method  
(C) Current accounts method (D) None of the above

Ans. : (A) Fluctuating capital account method

3. In the fixed capital account method, to which account, interest on capital be recorded?

- (A) Capital A/c (B) Current A/c (C) Drawings A/c (D) Trading A/c

Ans. : (B) Current A/c

4. When partner withdraws equal amount in the beginning of every month, for how many months interest on drawings be calculated?

- (A) 66 (B) 12 (C) 72 (D) 78

Ans. : (D) 78

5. Goods returned debit means .....

- (A) purchase (B) purchase return (C) sales (D) sales return

Ans. : purchase return

6. 'Goodwill' is which type of asset?

- (A) Tangible asset (B) Intangible asset (C) Current asset (D) Fictitious asset

Ans. : (B) Intangible asset

7. Who shared accumulated profit-loss or Reserve fund?

- (A) Continuing/old partners (B) Employees (C) Partners including new partners (D) None of the above

Ans. :

(A) Continuing/old partners

8. While calculating partner's gain or benefit, if answer comes to negative(-), then can say that

- (A) Partner's sacrifices (B) No gain, no loss for partner (C) Partner's gain (D) None of the given

**Ans. :**

(A) Partner's sacrifices

9. Where are the effects given when the value of assets increase at the time of the reconstruction of a partnership firm?

(A) Addition in assets value and the revaluation account will be credited.

(B) Addition in assets value and the revaluation account will be debited.

(C) Subtract from assets value and the revaluation account will be credited.

(D) Subtract from assets value and the revaluation account will be debited.

**Ans. :**

(A) Addition in assets value and the revaluation account will be credited.

10. Where is the worker profit sharing fund shown in balance sheet at the time of the reconstruction of a partnership firm?

(A) Credit side of revaluation account

(B) Capital-Liabilities side of balance sheet after reconstruction

(C) Credit side of partners' capital accounts

(D) Debit side of partners' capital accounts

**Ans. :** (B) Capital-Liabilities side of balance sheet after reconstruction

### Section B

**\* Answer The Following Questions In One Sentence.**

**[5]**

11. Farmers drawing account will be closed and transferred to which account at the end of the year?

**Ans. :** At the end of financial year (1) In case of fluctuating capital account method, partners drawing account will be closed and transferred to partners capital account and (2) In case of fixed capital I account method partners drawings account will be closed and transferred to partners current account.

12. Why profit and loss appropriation account is prepared?

**Ans. :** To show the distribution of profit or loss among the partners, profit and loss appropriation account is prepared. It is not compulsory to prepare profit and loss appropriation account.

13. What is revaluation account?

**Ans. :**

The book values of assets and liabilities recorded in the books of a partnership firm, When brought at present value, it is called revaluation of assets and liabilities.

A special 'account is opened to record the effects of the revaluation of assets and liabilities is known as 'Revaluation Account'.

Revaluation Account is also known as 'Profit and Loss Adjustment Account'.

14. What is revaluation of assets and liabilities?

**Ans. :**

Due to some reasons when values of assets and liabilities shown in the balance sheet is more or less than its market or real value than partners decides to reevaluate the assets and

liabilities values which is known as revaluation of assets and liabilities.

15. After revaluation is it necessary to prepare partners capital accounts?

**Ans. :** Yes, it is necessary to prepare partners capital account after revaluation of assets and liabilities.

### Section C

**\* Answer The Following Questions.**

**[12]**

16. What is profit-loss appropriation account ? Which items are disclosed in it?

**Ans. :** Profit and Loss Appropriation Account is an extension of the Profit and Loss account which is prepared to show the appropriation of the net profit among the partners. The items of appropriation of the profit such as interest on capital, salary/commission payable to partners and transfer to reserve, etc., and the items of income being debited to the partners' capital or current accounts such as interest on drawings are disclosed in the Profit and Loss Appropriation Account.

17. Where will you disclose the effects of the following adjustments during the preparation of final accounts of a partnership firm : Interest on debit balance of Partners' current account

**Ans. :** At the point when the firm doesn't pay interest to the accomplices on the credit adjusts in their capital records and current records, there is no compelling reason to attribute interest on the charge adjusts in their capital records, particularly when the company's complete capital is in current record.

Non-speculation financing exercises of an accomplice are typically announced in the current record.

Cash taken from the organization exercises (as in cash removed from the business by the accomplice) will be charged against a current record, which contains stock and different resources taken for individual use.

18. Write adjustment entries for the following adjustments :

One partner has withdrawn goods of ₹ 5000 for personal use, this transaction is not recorded.

**Ans. :** One partner has withdrawn goods of ₹ 5000 for personal use, Interest there on should be charge.

19. Bhavna, Bharat and Bhumesh are the partners in a partnership firm sharing profit and loss in the ratio of 2:1:1. The following is their balance sheet as on 31-3-2017.

**Balance Sheet as on 31-3-2017**

Liabilities		Amt. (₹)	Assets		Amt. (₹)
<b>Capital account :</b>			Land		5,00,000
Bhavna	6,00,000		Building		8,00,000
Bharat	6,00,000		Machinery		4,00,000
Bhumesh	5,40,000	17,40,000	Furniture		50,000
Creditors		2,00,000	Investment		50,000
Bills payable		60,000	Debtors		1,00,000
			Bills receivable		30,000
			Cash balance		20,000
			Bank balance		50,000
		<b>20,00,000</b>			<b>20,00,000</b>

Partners have decided to revalue the assets and liabilities on the date of the above balance-sheet.

(1) The value of land is ₹ 7,00,000.(2) The value of building is increased by 1,00,000.(3) The market-value of machine is 2,50,000 which is to be recorded in the books.(4) Provision for doubtful debts at 20% on debtors.(5) Creditors amounting to 10,000, are not required to be paid.(6) Income receivable amounted to 5000 and cutstanding expenses amounted to 3000 which are to be recorded.From the above information, write journal-entry in the books of partnership firm for revaluation and prepare revaluation A/c.

Ans. :

**Journal Entry in the Books of Partnership Firm of Bhavna, Bharat and Bhumesh**

Date	Particulars	L.N.	Debit (₹)	Credit (₹)
(1)	Land A/c Dr To Revaluation A/c [Being due to revaluation, there is an increase in price of land ₹ 2,00,000.]		2,00,000	2,00,000
(2)	Building A/c Dr To Revaluation A/c [Being due to revaluation there is an increase in price of building ₹ 1,00,000.]		1,00,000	1,00,000
(3)	Revaluation A/c Dr To Machinery A/c [Being due to revaluation, there is decrease in price of machinery ₹ 1,50,000.]		1,50,000	1,50,000
(4)	Revaluation A/c Dr To Bad debt reserve A/c [Being the provision for doubtful debts ₹ 20,000 on ₹ 1,00,000 debtors @ 10 %.]		20,000	20,000
(5)	Creditors A/c Dr To Revaluation A/c [Being an amount of ₹ 10,000 not to be paid to creditors.]		10,000	10,000
(6)	Receivable income A/c Dr To Revaluation A/c [Being the unrecorded receivable income is recorded.]		5000	5000
(7)	Revaluation A/c Dr To Outstanding expenses A/c [Being the unrecorded outstanding expense is recorded.]		3000	3000
	Total carry forward		4,88,000	4,88,000

## Section D

\* Answer The Following Questions With Necessary Calculations.

[12]

20. Fluctuating capital accounts of partners

**Ans. :** Under Fluctuating Capital Accounts method, only one account namely 'Capital Account' is maintained for each partner. All transactions of a partner such as capital introduced or withdrawn, salary or commission payable, drawings, interest on drawings, interest allowed on capital, and share of profit or loss are recorded in his Capital Account. As a result, the balance in the Capital Account fluctuates with every transaction making it fluctuating capital account of the partner.

21. Current accounts of partners

**Ans. :** The Current Account of the partners is maintained to record the transactions other than transactions relating to capital such as drawings, interest on drawings, interest allowed on capital, salary or commission payable to a partner, and share of profit or loss, etc. This account is prepared when the partnership firm follows the Fixed Capital Accounts method for maintaining partners' capital accounts.

22. The closing capital of a partner Girish is ₹ 96,000 after giving effect of drawings of ₹ 6000 and divisible profit of ₹ 9000. Calculate 8% p.a. interest on capital.

**Ans. :**

Interest on capital is always calculated on the opening balance. Here, closing capital is provided. From that opening capital will be ascertained as follows :

**Opening capital = Closing capital + Drawings – Profit**

Closing capital	₹	96,000
+ Drawings	₹	6000
	₹	1,02,000
– Profit	₹	9000
Opening capital	₹	93,000

$$\therefore \text{Interest on capital} = ₹ 93,000 \times \frac{8}{100} = ₹ 7440$$

or

Dr

**Girish's Capital Account**

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Particular	Amt. (₹)	Particular	Amt. (₹)
To Drawings A/c	6000	By Balance b/d (Opening capital)	93,000
To Balance c/d (Closing capital)	96,000	By Profit and Loss A/c (profit)	9000
	1,02,000		1,02,000

$$\therefore \text{Interest on capital} = ₹ 7440$$

## Section F

\* Answer The Following Essay Type Questions.

23. Sant and Mahant are partners of a firm sharing profit and loss in the proportion of 3: 2. From the trial balance of 31-3-2017 and adjustments prepare final accounts of the partnership firm.

**Trial Balance of Partnership Firm of Sant and Mahant as on 31-3-17**

Debit Balances	Amt. (₹)	Credit Balances	Amt. (₹)
<b>Drawings :</b>		<b>Capital accounts :</b>	
Sant	7000	Sant	80,000
Mahant	3000	Mahant	40,000
Plant and Machines	33,300	Creditors	48,000
Addition in plant and machines (from 1-7-2016)	24,000	Sale of plants and machines (on 1-4-16, book value ₹ 6900)	4800
Furniture-fittings	2560	Sales	2,68,000
Debtors	64,940	5 % loan from Gyani (from 1-10-16)	10,000
Advertisement expense	13,248	Commission	800
Cash-bank balance	8496		
Purchases	1,81,168		
Productive wages	45,272		
Electricity expense (Factory)	4296		
Rent-taxes (Office)	872		
Rent-taxes (Factory)	9384		
Technical expense	400		
Opening stock	33,696		
Factory expense	1780		
Office salary	8780		
Discount allowed	4800		
Carriage inward	1700		
Bad debts	836		
Office expenses	2072		
	<b>4,51,600</b>		<b>4,51,600</b>

Adjustments:

- (1) There was stock of 85,500.
- (2) Provide 15 % depreciation on plant and machines and 75 % on furniture and fittings
- (3) Provide bad debts reserve of 2000 on debtors
- (4) 6% interest is payable on capital of partners
- (5) Outstanding expenses: Productive wages 784, advertisement expense 312, office salary 400, technical expense 320.

**Ans. :** Balance sheet of partnership firm as on 31-03-2017

Capital		Amt	Amt	Asset		Amt	Amt
Sant		93,267		Plant & machinery		33,300	
Mahant		49,711	1,42,978	less:Sales		6,900	
5% loan from Gyani			10,000			26,400	
O/s Advertisement expenses			312	Additional plant		24,000	
O/s prodctive wages			784			50,400	
o/s technical expenses			320	Less: dep		6,660	43,740
o/s office salary			400	Furniture		2,560	
creditors			48,000	less:dep		192	2,368
Interest on loan from Gyani			250	Debtors		64,940	
				Less:bad debt reserv		2,000	62,940
				Cash /bank bal			8496
				Closing stock			85,500
			2,03,044				2,03,044

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